

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
MCALLEN DIVISION

UNITED STATES OF AMERICA	§ CASE NO. 7:19-CR-522-2
	§ MCALLEN, TEXAS
VERSUS	§ FRIDAY,
	§ AUGUST 2, 2019
JOHN F. CUELLAR (2)	§ 10:03 A.M. TO 11:13 A.M.

FINAL PRETRIAL CONFERENCE/REARRAIGNMENT
(PARTIAL TRANSCRIPT - EXCLUDES SEALED BENCH CONFERENCE)

BEFORE THE HONORABLE MICAELA ALVAREZ
UNITED STATES DISTRICT JUDGE

APPEARANCES:	SEE NEXT PAGE
COURTROOM ERO:	XAVIER AVALOS

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STATES OF AMERICA:

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FOR THE DEFENDANT, JOHN F.
CUELLAR:

ATTORNEY AT LAW
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ALSO PRESENT:

Samantha Solis, Probation

1 McALLEN, TEXAS; FRIDAY, AUGUST 2, 2019; 10:03 A.M.

2 THE COURT: Thank you. Good morning. You may be
3 seated.

4 This Case Number 19-CR-522 as to John Cuellar.

5 MR. LOPEZ: Good morning, Your Honor. Bobby Lopez
6 on behalf of the Government, present and ready.

7 MR. MONTALVO: Good morning, Your Honor. Rick
8 Montalvo on behalf of Mr. Cuellar. He's present now.

9 THE COURT: And ready for?

10 MR. MONTALVO: For plea, Your Honor, I'm sorry.

11 THE COURT: To which count, please?

12 MR. MONTALVO: Count --

13 MR. LOPEZ: One, Your Honor.

14 MR. MONTALVO: -- 1, Your Honor.

15 THE COURT: Thank you. Mr. Cuellar, please raise
16 your right hand to be sworn in.

17 (Defendant is sworn.)

18 THE COURT: Mr. Cuellar, your attorney has just
19 indicated that you are ready to enter a plea, so I do need to
20 cover with you certain rights and explain to you certain other
21 matters. As I do so, if there is anything you do not
22 understand, please make sure to let me know. I will do my
23 best to explain it in a way that best makes sense.

24 Do you understand this?

25 DEFENDANT CUELLAR: Yes, Your Honor.

1 THE COURT: You have just been sworn in, you are
2 under oath, that means that you are subject to the penalties
3 of perjury, and that any statement you make here today can be
4 used against you.

5 Do you understand this also?

6 DEFENDANT CUELLAR: Yes, Your Honor.

7 THE COURT: Let me just gather a little bit of
8 background information. I know some of it is clear from the
9 Record, but nonetheless so that we have it clear on the
10 Record.

11 Mr. Cuellar, first of all, how old are you?

12 DEFENDANT CUELLAR: I'm 56 years old.

13 THE COURT: And you are a licensed attorney at this
14 time. Is that correct?

15 DEFENDANT CUELLAR: Yes, Your Honor.

16 THE COURT: And I take it you are a citizen of the
17 United States?

18 DEFENDANT CUELLAR: Yes, Your Honor.

19 THE COURT: Are you now or have you ever been under
20 the care of a doctor, psychologist, psychiatrist, any kind of
21 mental health professional for any mental health issues?

22 DEFENDANT CUELLAR: No, Your Honor.

23 THE COURT: Are you now under the influence of any
24 alcohol, drugs or medication?

25 DEFENDANT CUELLAR: No, Your Honor.

1 THE COURT: And that is no medication of any sort
2 even? I understood you had some medical conditions?

3 DEFENDANT CUELLAR: I do, I do have prescription
4 medicines that I take for diabetes and blood pressure.

5 THE COURT: Okay.

6 DEFENDANT CUELLAR: And I take Venlafaxine,
7 antidepressant.

8 THE COURT: And you do take that -- take an
9 antidepressant as well?

10 DEFENDANT CUELLAR: Yes, Venlafaxine.

11 THE COURT: And have you been diagnosed with
12 depression?

13 DEFENDANT CUELLAR: The doctors prescribed it so --

14 THE COURT: Okay.

15 DEFENDANT CUELLAR: -- I would guess, yeah.

16 THE COURT: So you would think so. Okay. And about
17 how long have you been taking that medication?

18 DEFENDANT CUELLAR: More than five years.

19 THE COURT: During that period of time has there
20 been anything about the fact that you either suffer from
21 depression or take the medication that you feel has interfered
22 with your ability to conduct your day-to-day activities on
23 your own, in other words, have you ever been incapacitated
24 such that you have to have somebody actually caring for you?

25 DEFENDANT CUELLAR: No, Your Honor.

1 THE COURT: Okay. And I take it that you have been
2 taking this medication at least on and off through the period
3 of time that you have been here under investigation and/or
4 indictment?

5 DEFENDANT CUELLAR: Yes, Your Honor.

6 THE COURT: Has the fact that you suffer from
7 depression or take the medication in any way interfered with
8 your ability to be able to communicate with your lawyer, to
9 ask questions, to provide information to whatever he has asked
10 of you?

11 DEFENDANT CUELLAR: No, Your Honor.

12 THE COURT: Okay. Is there any reason that you
13 believe, Mr. Cuellar, that you should not be able to go
14 forward here today despite the fact that you suffer from
15 depression and take some medication?

16 DEFENDANT CUELLAR: No, Your Honor.

17 THE COURT: Okay. And in this regard, Mr. Montalvo,
18 have you found there to be any issue regarding Mr. Cuellar's
19 competency?

20 MR. MONTALVO: No issue regarding competency, Your
21 Honor.

22 THE COURT: All right. Thank you.

23 And, Mr. Cuellar, other than the prescription
24 medications that you take have you taken any other kind of
25 alcohol or drugs in the last 72 hours?

1 DEFENDANT CUELLAR: No, Your Honor.

2 THE COURT: Have you had sufficient time to talk
3 with your attorney about the charges that you are facing?

4 DEFENDANT CUELLAR: Yes, Your Honor.

5 THE COURT: Okay. I'm going to have the Government
6 actually read the Indictment. It's rather lengthy, and as most
7 of the time I have to be the talking here, I get them to help.
8 So I'm going to have the Government read for us Count 1 of the
9 Indictment only since that is the one that you are going to
10 plead to once the Government does that. Then I'll come back
11 to it myself.

12 Do you understand that?

13 DEFENDANT CUELLAR: Yes, Your Honor.

14 THE COURT: Okay.

15 MR. LOPEZ: Thank you, Your Honor.

16 THE COURT: Mr. Lopez.

17 MR. LOPEZ: The United States District Court,
18 Southern District of Texas, McAllen Division, United States of
19 America versus John F. Cuellar, Criminal Number M-19-522-S1,
20 Superceding Indictment. Grand Jury charges in Count 1 a
21 violation of Title 18, United States Code Section 1349,
22 conspiracy to commit online services wire fraud. At all times
23 relevant to this Indictment with dates, times and amounts
24 being approximates to relevant individuals and entities.

25 Number one, Defendant Ricardo

1 Quintanilla-Quintanilla, also known as Richard, is a
2 businessman who lived and worked in Weslaco, Texas.

3 Two, Defendant Arturo C. Cuellar, also known as AC,
4 is a resident of Progreso Lakes, Texas who served as a
5 Commissioner of Hidalgo County, Texas from March 2010 to
6 November 2010 and approximately January 2013 to December 2016.

7 Three, Defendant John F. Cuellar is an attorney
8 based in Weslaco, Texas who served as a Weslaco City
9 Commissioner from May 1995 to November 2014. For large parts
10 of his tenure on the Weslaco City Commission, known as the
11 "Commission," including from at least June 2007 to May 2009
12 and from May 2010 to November 2014, John F. Cuellar was
13 selected by the Commission to serve as the Mayor Pro Tem. As
14 a Commissioner, John F. Cuellar was an agent of the City of
15 Weslaco.

16 Four, Defendant Daniel J. Garcia-Garcia, is an
17 attorney based in Rio Grande City, Texas, who served on the
18 Rio Grande City Consolidated Independent School District Board
19 of Trustees.

20 Five, Leonel, Leo, Lopez-Lopez, is a resident of
21 Starr County, Texas.

22 Six, Geraldo Jerry Tafolla-Tafolla, is a resident of
23 Weslaco, Texas and an elected member of the Commission.

24 Seven, Company A was an international engineering
25 and construction company that performed large-scale

1 infrastructure projects for public and private clients.

2 Person A was an employee of Company A.

3 Eight, Company B was an engineering company based in
4 San Antonio, Texas. Person B was the owner of Company B.

5 Nine, Company C was an engineering company based in
6 McAllen, Texas. Person C was the owner of Company C.

7 Ten, Company D was a business entity owned in part
8 by Arturo C. Cuellar, Jr. and based in Corpus Christi, Texas.

9 Eleven, Person D was an attorney based in Houston,
10 Texas.

11 General allegations: The Weslaco City Commission.

12 Twelve, the Texas Constitution and the laws of the
13 State of Texas and the Charter of the City of Weslaco
14 establish ethical standards of conduct for elected public
15 officials including Weslaco City Commissioners. These
16 standards included in the oath to faithfully execute the
17 duties of the office of Commissioner and to preserve, protect
18 and defend the Constitution and laws of the United States and
19 the State of Texas. Accordingly, Commissioners owed a
20 fiduciary duty to the City of Weslaco, the Commission and the
21 people of the City of Weslaco.

22 Thirteen, as officials in the city government,
23 Defendant John F. Cuellar and Tafolla each owed a fiduciary
24 duty to the City of Weslaco and to its citizens to perform the
25 duties and responsibilities of their office free from corrupt

1 influence. As elected officials in the State of Texas, John
2 F. Cuellar and Tafolla swore to uphold the United States
3 Constitution, the Texas Constitution and the laws of the State
4 of Texas and to faithfully execute the duties of their office.

5 Fourteen, the Commission was authorized to take an
6 official action only when a quorum, a majority of the duly
7 elected Commissioners, was present. When a quorum was present
8 the Commission could act based on a majority vote.

9 Fifteen, pursuant to the Texas Open Meetings Act
10 codified in Texas Government Code Annotated Section 551, the
11 Commission as a city government in Texas was authorized to
12 conduct official business only after providing at least
13 72 hours of public notice of the time, place and subject
14 matter of the meeting. Such meetings were generally require
15 to be open to the public with closed meetings and executive
16 sessions permitted only under narrowly drawn exceptions.

17 Sixteen, prior to May of 2008 the Commission was
18 comprised of a Mayor, a Mayor Pro Tem and three Commissioners
19 elected at large. The Mayor Pro Tem was a Commissioner
20 selected by a majority vote of the Commissioners to assume the
21 Mayor's duty when the Mayor was absent.

22 Seventeen, starting in or about May 2008 the
23 Commission was comprised of six Commissioners elected from
24 single-member districts, a Mayor elected at large and a Mayor
25 Pro Tem selected in the same manner as prior to May 2008.

1 Eighteen, due to his long tenure on the Commission
2 and relationship to Arturo C. Cuellar, Jr., a prominent
3 politician in Hidalgo County, John F. Cuellar, exerted a
4 certain amount of power and influence on the Commission and
5 over other city officials. John F. Cuellar was the *de facto*
6 leader of the Commission's majority voting block during the
7 vast majority of the charge of conspiracy.

8 The Weslaco Water Treatment Facilities.

9 Nineteen, in or about 2004 the Texas Commission on
10 Environmental Quality, "TCEQ," notified the City of Weslaco
11 that its water treatment facilities were in violation of Texas
12 environmental regulations. The city's water treatment
13 facilities included the water treatment plant, the "WTP,"
14 which processed the city's potable water, and North Wastewater
15 Treatment Plant, the "NWWTP," and the South Wastewater
16 Treatment Plant, the "SWWTP," which together process the
17 city's waste water.

18 Twenty, in or about 2007 the Commission voted to
19 issue approximately 28 million in municipal bonds to finance
20 several infrastructure projects in the Weslaco area. The two
21 largest and costliest projects to be paid for by the bond
22 funds were to rebuild the NWWTP and to perform repairs to the
23 WTP.

24 Twenty-one, in or about 2008 the Commission hired
25 Company A to act as the construction manager for the

1 infrastructure projects to be funded by the bond issuance.
2 Under the contract Company A would effectively select the
3 companies to perform the infrastructure work to be paid for
4 with the bond funds.

5 Twenty-two, in or about March 18, 2008, Company A
6 granted itself, subject to the approval of the Commission, the
7 contracts to rehabilitate the NWWTP and the WTP, the two
8 costliest projects to be completed using the 28 million in
9 municipal bond proceeds.

10 The conspiracy.

11 Twenty-three, from in or about March 2008 through in
12 or about December 2016 in the Southern District of Texas and
13 elsewhere the defendants, Ricardo Quintanilla, also known as
14 "Richard;" John F. Cuellar; Arturo C. Cuellar, Jr., also known
15 as "AC;" and Daniel J. Garcia, Lopez and Tafolla did knowingly
16 combine, conspire, confederate and agree together and with
17 others known and unknown to the Grand Jury to devise and
18 intended to devise a scheme, an artifice to defraud and
19 deprive by means of material false and fraudulent pretenses,
20 representations and promises and to transmit and cause to be
21 transmitted by means of wire communication in interstate
22 commerce any writings, signs, signals, pictures, and sounds
23 for the purpose of executing the scheme and artifice to
24 defraud and deprive; that is, to deprive the City of Weslaco,
25 the Weslaco City Commission and the citizens of Weslaco of

1 their right to the honest services of John F. Cuellar and
2 Tafolla through bribery, in violation of Title 18, United
3 States Code, Sections 1343 and 1346.

4 The scheme to defraud.

5 Twenty-four, from in or about March 2008 through in
6 or about December 2016 in the Southern District of Texas and
7 elsewhere the defendants, Quintanilla, John F. Cuellar, Arturo
8 C. Cuellar, Jr., Garcia, Lopez and Tafolla and others known
9 and unknown to the Grand Jury devised and intended to devise a
10 scheme and artifice to defraud and to deprive the City of
11 Weslaco, the Weslaco City Commission and the citizens of
12 Weslaco of their intangible right to the honest services of
13 John F. Cuellar and Tafolla, both elected officials through
14 bribery.

15 The purpose of the conspiracy.

16 Twenty-five, the purpose of the conspiracy included
17 but were not limited to the following: Subsection A, for
18 John F. Cuellar to enrich himself by accepting bribes in
19 exchange for using his official position as a Weslaco City
20 Commissioner and to take official acts to benefit and help
21 Company A, Company B and Company C obtain millions of dollars
22 in contracts from the City of Weslaco. Subsection B, for
23 Tafolla to enrich himself by accepting bribes in exchange for
24 using his official position as a Weslaco City Commissioner to
25 take official acts to benefit and help Company A, Company B

1 and Company C obtain millions of dollars in contracts from the
2 City of Weslaco. Subsection C, for Arturo C. Cuellar, Jr. to
3 enrich himself by keeping a portion of the bribe funds paid to
4 him by Lopez and then paid the remainder of the bribe funds to
5 John F. Cuellar. Subsection D, for Quintanilla to enrich
6 himself by keeping a portion of the bribe funds paid to him by
7 Lopez and then paid the remainder of the bribe funds to
8 Tafolla. Subsection E, for Lopez to enrich himself by keeping
9 a portion of the bribe funds paid by Company B and Company C.
10 And Subsection F, for Garcia to help Arturo C. Cuellar, Jr.,
11 John F. Cuellar and Lopez to conceal the bribery and
12 conspiracy by laundering the bribes through his Interest Only
13 Lawyers Trust Account or IOLTA account.

14 Manner and means of the conspiracy.

15 Twenty-six, the manner and means by which the
16 defendants carried out the conspiracy included but were not
17 limited to the following: Subsection A, Lopez accepted at
18 least approximately \$4.1 million paid through Company B and
19 Company C in order to pay bribes to John F. Cuellar and
20 Tafolla through Arturo C. Cuellar, Jr. and Quintanilla,
21 respectively.

22 Subsection B, Arturo C. Cuellar, Quintanilla and
23 Lopez corruptly gave, offered and promised things of value to
24 John F. Cuellar and Tafolla, including hundreds of dollars in
25 cash in exchange for specific official action favorable to

1 Company A, Company B and Company C, including votes
2 authorizing multimillion dollar contracts for water treatment
3 facilities in the City of Weslaco.

4 THE COURT: Pause for just a second. There was
5 including hundreds of thousands dollars, not just hundreds
6 of --

7 MR. LOPEZ: I apologize, Your Honor.

8 THE COURT: You left out the thousands.

9 MR. LOPEZ: Okay. I apologize, Your Honor.

10 Subsection C, John F. Cuellar, Arturo C. Cuellar,
11 Jr., Quintanilla, Lopez and Tafolla and other co-conspirators
12 met at various locations in the Southern District of Texas and
13 elsewhere to discuss the official action that John F. Cuellar
14 and Tafolla should take to benefit Company A, Company B and
15 Company C, and to discuss the payment of bribes.

16 Subsection D, in order to conceal the scheme,
17 John F. Cuellar, Arturo C. Cuellar, Jr., Quintanilla, Lopez
18 and Tafolla took steps to anonymously funnel the bribe
19 payments to John F. Cuellar and Tafolla in a manner to avoid
20 detection that the payments came from Company B and Company C,
21 including the following:

22 Sub-subsection (i), Lopez received payments from
23 Company B and Company B, as well as payments from Company A,
24 that were passed through Company B and Company C for the
25 purpose of paying bribes to John F. Cuellar and Tafolla

1 disguised as consulting fees due to Lopez.

2 Sub-subsection (ii), from in or about March 26, 2008
3 to in or about November 24, 2014, Lopez wrote a total of
4 approximately \$1,398,000 in checks to Arturo C. Cuellar, Jr.
5 drawn on Lopez's accounts at Lone Star National Bank.

6 Sub-subsection (iii), from on or about April 21, 2011 to on or
7 about November 6, 2014, Arturo C. Cuellar, Jr. directed
8 employees of Company B to make a total of approximately
9 \$405,000 in payments to John F. Cuellar from Company B
10 disguised as payments for legitimate legal services.

11 Sub-subsection (iv), from on or about December 2012
12 to on or about April 2013, Arturo C. Cuellar, Jr., John F.
13 Cuellar and Daniel J. Garcia funneled at least approximately
14 \$90,000 in bribe payments disguised as payments for legitimate
15 legal services through the IOLTA account for Garcia's law
16 firm.

17 Sub-subsection (v), from on or about December 2011
18 to on or about October 2014, Lopez wrote a total of
19 approximately \$85,950 in checks to Quintanilla drawn on
20 Lopez's accounts at Lone Star National Bank.

21 Sub-subsection (vi), Quintanilla converted the
22 checks from Lopez to cash at Lone Star National Bank and
23 shared approximately half of the cash with Tafolla.

24 Subsection E: John F. Cuellar and Tafolla cast
25 votes at the direction of Lopez, Arturo C. Cuellar, Jr.,

1 Quintanilla and their co-conspirators to award contracts and
2 payments to Company A, Company B and Company C, or to benefit
3 Company A, Company B and Company C in the execution and
4 administration of their contracts with the city.

5 Subsection F, John F. Cuellar directed city
6 officials to call special meetings of the Commission wherein
7 votes could be taken to benefit Company A, Company B and
8 Company C because special meetings were not publicized or
9 recorded in the same way as regular Commission meetings and
10 the short notice provided for special meetings prevented
11 Commissioners who would not vote for John F. Cuellar from
12 attending.

13 Subsection G, in or about 2016 Lopez, Quintanilla
14 and their co-conspirators provided Tafolla with questions to
15 ask of other city officials and which were intended to benefit
16 Company B during a dispute between the City of Weslaco and
17 Company B over the City of Weslaco's refusal to pay
18 Company B's invoices for the WTP.

19 Subsection H, John F. Cuellar, Arturo C. Cuellar,
20 Jr., Quintanilla, Lopez and Tafolla and their co-conspirators
21 used wire communications and interstate commerce, such as
22 mobile messaging applications, email and interstate bank
23 transfers in furtherance of the scheme to defraud.

24 Overt acts.

25 Section 27, in furtherance of the conspiracy and in

1 order to accomplish its objections, John F. Cuellar, Arturo C.
2 Cuellar, Jr., Quintanilla, Lopez and Tafolla and their co-
3 conspirators committed the following overt acts, among others,
4 in the Southern District of Texas and elsewhere.

5 Twenty-eight, in or about 2008, Person A and Person
6 B agreed with Lopez that they would pay Lopez to ensure that
7 Company A and Company B obtained the contracts for certain
8 construction and engineering projects relating to the city's
9 water treatment facilities. Lopez agreed with Arturo C.
10 Cuellar, Jr. and John F. Cuellar that John F. Cuellar would
11 take official action as a Weslaco City Commissioner to benefit
12 Company A and Company B, such as by voting to grant them
13 contracts with the city in exchange for bribe payment.

14 Twenty-nine, in or about 2011 Lopez, with the
15 knowledge of John F. Cuellar and Arturo C. Cuellar, Jr.
16 obtained the agreement of Quintanilla to obtain the agreement
17 of another Commissioner to accept bribes in exchange for the
18 agreement to take official action as a Weslaco City
19 Commissioner to benefit Company A and Company B such as by
20 voting to grant them contracts with the city. Quintanilla
21 obtained the agreement of Tafolla to take official action as a
22 Weslaco City Commissioner to benefit Company A and Company B
23 such as by voting to grant them contracts with the city in
24 exchange for bribe payments paid from Lopez through
25 Quintanilla.

1 Thirty, in or about 2012 Person B recruited Person C
2 to funnel bribe payments to Lopez. Person C agreed to do so
3 in exchange for the agreement that Company C would have
4 received subcontracts on the WTP and contracts with the City
5 of Weslaco. John F. Cuellar and Tafolla agreed through Lopez,
6 Arturo C. Cuellar, Jr., and Quintanilla to take official
7 actions as a Weslaco City Commissioner to benefit Company C
8 such as by voting to grant the contracts with the city in
9 exchange for the bribe payments.

10 The Water Treatment Facilities: The NWWTP.

11 Thirty-one, on or about March 25, 2008, John F.
12 Cuellar made a motion to grant the professional services
13 contract to Company A to perform engineering services to
14 rehabilitate the WTP and to construct a new NWWTP. On the
15 same date John F. Cuellar voted in favor of that motion.

16 Thirty-two, in or about May 2008 in the absence of
17 Weslaco's Mayor John F. Cuellar executed a Professional
18 Services Agreement with Company A.

19 Thirty-three, on or about November 4, 2008 John F.
20 Cuellar made a motion to place additional projects under
21 Company A's contract. On the same date John F. Cuellar voted
22 in favor of that motion.

23 Thirty-four, on or about August 18, 2009, John F.
24 Cuellar spoke against a motion to re-prioritize the 2007 bond
25 funds to shift money from the NWWTP to the WTP, the contracts

1 for both of which had been granted to Company A. The effect
2 of the shifting of funds as proposed would have been to reduce
3 the total amount of money due to Company A under the contract.
4 On the same date, John F. Cuellar voted to oppose that motion,
5 instead asserting to the Commission that the NWWTP and the WTP
6 be given equal significance keeping the amount of money due to
7 Company A under the contract the same. Despite John F.
8 Cuellar's vote, the motion carried.

9 Thirty-five, on or about September 1, 2009 John F.
10 Cuellar took the following action:

11 Subsection A, made a motion before the Commission to
12 suspend Robert's Rules of Order to allow the Commission to
13 reconsider John F. Cuellar's motion that the NWWTP and WTP be
14 considered with equal importance with regard to a portion of
15 the 2007 bond funds, an initiative that had been defeated at
16 the August 18, 2009 meeting.

17 Subsection B, voted in favor of the motion to
18 suspend Robert's Rules of Order to allow the Commission to
19 reconsider John F. Cuellar's motion that the NWWTP and WTP be
20 considered with equal importance with regard to a portion of
21 the 2007 bond funds.

22 Subsection C, made a motion before the Commission
23 that the NWWTP and WTP be considered with equal importance
24 with regard to a portion of the 2007 bond funds.

25 And, D, voted in favor of the motion that the NWWTP

1 and WTP be considered with equal importance with regard to a
2 portion of the 2007 bond funds.

3 The WTP.

4 Thirty-six, in or about 2011 John F. Cuellar advised
5 and pressured city staff to grant contracts to Company A and
6 Company B to design and construct a new WTP.

7 Thirty-seven, on or about January 18, 2011, John F.
8 Cuellar voted to authorize the City Manager and City Attorney
9 to negotiate a new Professional Services Agreement with
10 Company A to prepare a preliminary engineering report on the
11 WTP.

12 Thirty-eight, on or about August 16, 2011,
13 Subsection A, John F. Cuellar made a motion before the
14 Commission to approve the preliminary engineering report on
15 the WTP prepared by Company A.

16 Subsection B, John F. Cuellar and Tafolla voted to
17 approve the preliminary engineering report on the WTP prepared
18 by Company A.

19 And Subsection C, John F. Cuellar and Tafolla voted
20 to declare that the WTP was exceeding capacity in failing to
21 meet public water demand, thereby creating an imminent threat
22 to public health and safety. This declaration allowed the
23 Commission to direct and grant the construction contracts to
24 address violations issued by the TCEQ, bypassing ordinary
25 bidding and qualification procedures.

1 Thirty-nine, on or about September 8, 2011, John F.
2 Cuellar and Tafolla took the following actions:

3 Subsection A, voted to authorize the City Manager to
4 negotiate a pre-construction services contract with Company A
5 for the WTP, and

6 Subsection B, voted in favor of a motion for the
7 City Manager to negotiate a contract with Company B for the
8 design of an expansion to the WTP and associated projects.

9 Due to the declaration from the August 16, 2011
10 meeting that the WTP represented an imminent threat to public
11 health and safety, the Commission was able to grant these
12 contracts without the ordinary competitive bidding and
13 qualification process.

14 Forty, on or about October 6, 2011, Tafolla voted to
15 approve a Professional Services Agreement with Company B for
16 the design of the WTP and the Professional Services Agreement
17 with Company A for the pre-construction services for the WTP.

18 Forty-one, on or about March 27 2012, John F.
19 Cuellar and Tafolla voted to authorize the Mayor to execute
20 the contract valued at approximately \$38.5 million with
21 Company A for the expansion of the WTP and to authorize city
22 staff to amend the city budget to accommodate the \$38.5
23 million contract with Company A.

24 Forty-two, on or about June 5, 2012, John F. Cuellar
25 and Tafolla voted to approve the City of Weslaco entering into

1 a Professional Services Agreement with Company C.

2 Forty-three, in or about 2012 Person A and Person B
3 told Lopez that they needed the Commission to approve an
4 amendment increasing the price of Company B's contract with
5 the city. Person A and Person B told Lopez that the
6 additional funds from this amendment would enable Person B to
7 continue paying Lopez so that Lopez could in turn continue
8 paying others.

9 Forty-four, on or about September 20, 2012, John F.
10 Cuellar and Tafolla voted to approve an amendment to the
11 contract with Company B to include automation and daily
12 construction inspection in an amount not to exceed \$2,978,950,
13 to authorize a budget amendment as appropriate, and to
14 authorize the Mayor to execute any related documents.

15 The SWWTP.

16 Forty-five, in or about 2013, John F. Cuellar
17 advised and pressured city staff, including the City Manager,
18 to grant contracts to Company B.

19 Forty-six, on or about July 16, 2013, John F.
20 Cuellar and Tafolla voted to amend the city's contract with
21 Company B to authorize Company B to prepare a preliminary
22 engineering report for the repairs to the SWWTP.

23 Forty-seven, on or about September 2, 2014, John F.
24 Cuellar and Tafolla voted to approve the final preliminary
25 engineering report for the SWWTP prepared by Company B and to

1 authorize a budget amendment to pay Company B for the report.

2 Forty-eight, John F. Cuellar and Tafolla made the
3 motions, cast the votes and took the other official actions
4 referenced in Paragraphs 28 through 47 in their official
5 capacities as Weslaco City Commissioners during Weslaco City
6 Commission meetings.

7 Other acts.

8 Forty-nine, John F. Cuellar, Arturo C. Cuellar, Jr.,
9 Quintanilla, Lopez, and Tafolla and their co-conspirators used
10 wire communications in interstate commerce such as mobile
11 messaging applications, email, and interstate bank transfers
12 in furtherance of their schemes to defraud.

13 Fifty, in or about February 2016, Lopez sent to
14 Quintanilla via electronic messages over a cellular phone
15 questions that Lopez wanted Tafolla to ask in the upcoming
16 City Commission meeting. These questions were crafted to
17 benefit Company B in its attempts to recover payments for the
18 WTP from the City of Weslaco after the city stopped paying
19 Company B.

20 Fifty-one, on or about September 1, 2016, Lopez and
21 Person B discussed the money still owed to Lopez as part of
22 the bribery scheme and discussed how Person B would provide
23 the remaining funds to Lopez.

24 Bribe payments, payments to Lopez.

25 Fifty-two, in or about 2008, Company B began paying

1 Lopez approximately \$17,000 per month.

2 Fifty-three, in or about February 2011 around the
3 time that John F. Cuellar voted to approve the Professional
4 Services Agreement with Company A to prepare a preliminary
5 engineering report on the WTP, Company B increased the amount
6 paid on a monthly basis to Lopez from approximately \$17,000 to
7 approximately \$25,000 to \$40,000 per month.

8 Fifty-four, from in or about June 2012 to in or
9 about May 2014, Person B paid a total of approximately
10 \$300,000 in four payments of approximately \$75,000 each, to
11 Lopez under the under the pretense that Person B was leasing a
12 hunting property that belonged to Lopez. In truth, these
13 reported lease payments were another way for Person B to pay
14 bribe money to Lopez.

15 Fifty-five, in all from in or about April 2008
16 through in or about December 2015, Person B and Company B paid
17 over approximately \$2.5 million to Lopez in regular payments
18 of approximately \$1,000 to approximately \$75,000.

19 Fifty-six, on or about April 2012, shortly after
20 John F. Cuellar and Tafolla voted to authorize the Mayor to
21 execute \$38.5 million contracts with Company A, Person C made
22 a payment of approximately \$85,000 to Lopez. From that point
23 forward Person C made payments ranging from approximately
24 \$75,000 to approximately \$150,000 to Lopez at various periods
25 throughout the year until approximately July of 2014. From in

1 or about April 2012 to in or about July 2014, Company C paid
2 over approximately \$1.6 million to Lopez.

3 Payments to Arturo C. Cuellar, Jr.

4 Fifty-eight, Lopez shared the money he received from
5 Company B and Company C with Arturo C. Cuellar, Jr. through
6 monthly payments of approximately \$5,000 to Arturo C. Cuellar,
7 Jr. beginning at least by on or about March 26, 2008, so that
8 Arturo C. Cuellar, Jr. could pay bribes to John F. Cuellar.

9 Fifty-nine, in or about May 2011 Lopez's monthly
10 payments to Arturo C. Cuellar, Jr. increased ranging from
11 approximately \$10,000 to more than \$60,000 approximately
12 monthly.

13 Sixty, through these monthly payments from in or
14 about March 2008 to in or about November of 2014, Lopez paid
15 approximately \$1,398,000 to Arturo C. Cuellar, Jr.

16 Payments to John F. Cuellar.

17 Sixty-one, in or about April 2011 Arturo C. Cuellar,
18 Jr. directed employees of Company B to begin making semi-
19 monthly payments of approximately \$5,000 to \$7,500 to John F.
20 Cuellar despite the fact that John F. Cuellar, Jr. [sic] was
21 not providing services to Company B. Company B's employees
22 complied.

23 Sixty-two, from in or about April 2011 to in or
24 about November 2014, Arturo C. Cuellar, Jr. paid approximately
25 \$405,000 to John F. Cuellar through Company B in semi-monthly

1 payments ranging from approximately \$5,000 to approximately
2 \$7,500 disguised as payments for legal services that were
3 never rendered so that John F. Cuellar would take official
4 actions to benefit Company A, Company B and Company C.

5 Sixty-three, the payments from Lopez to Arturo C.
6 Cuellar, Jr. and the payments from Company B to John F.
7 Cuellar stopped promptly in November 2014 upon John F.
8 Cuellar's loss of his re-election bid for the Commission.

9 Payment of bribes to John F. Cuellar through Garcia.

10 Sixty-four, in or about December 2012, Garcia agreed
11 to assist Lopez and Arturo C. Cuellar, Jr. in providing
12 approximately \$90,000 in bribe payments to John F. Cuellar
13 using Garcia's law practice and IOLTA account. Lopez agreed
14 with Garcia then in exchange for Garcia's assistance in
15 providing bribe funds to John F. Cuellar, Lopez and Arturo C.
16 Cuellar, Jr. would help Person D, a friend of Garcia, obtain
17 employment.

18 Sixty-five, on or about December 18, 2012, Lopez
19 wrote Check No. 1109 from Lone Star National Bank account
20 number ending in 9303 to Garcia in the amount of \$60,000 and
21 providing instructions for Garcia to pay those funds to
22 John F. Cuellar.

23 Sixty-six, on or about December 19, 2012 Garcia
24 deposited Check No. 1109 for \$60,000 from Lopez into Lone Star
25 National Bank account number ending in 9362, one of Garcia's

1 IOLTA accounts.

2 Sixty-seven, on or about December 19, 2012, Garcia
3 wrote Check No. 1022 from Lone Star National Bank account
4 number ending in 9362, one of Garcia's IOLTA accounts, in the
5 amount of \$40,000 to John F. Cuellar.

6 Sixty-eight, on or about December 19, 2012, Garcia
7 wrote Check No. 1184 from Bank of America account number
8 ending in 9717, one of Garcia's IOLTA accounts, in the amount
9 of \$20,000 to John F. Cuellar.

10 Sixty-nine, on or about December 19, 2012, John F.
11 Cuellar deposited Check Nos. 1022 and 1184 from Lone Star
12 National Bank account number ending in 9362 and Bank of
13 America account number ending in 9717 in the amounts of
14 \$40,000 and \$20,000, respectively, into international bank
15 account number ending in 623.

16 Seventy, on or about January 29, 2013, Lopez wrote
17 Check No. 1228 from Lone Star Bank account number ending in
18 9303 to Garcia in the amount of \$40,000 and provided
19 instructions for Garcia to pay those funds to John F. Cuellar.

20 Seventy-one, on or about January 30, 2013, Garcia
21 deposited Check No. 1228 from Lone Star National Bank account
22 number ending in 9303 into Lone Star National Bank account
23 number ending in 9362, one of Garcia's IOLTA accounts.

24 Seventy-two, on or about March 12, 2013, Garcia
25 wrote Check No. 1028 from Lone Star National Bank account

1 number ending in 9362, one of Garcia's IOLTA accounts, in the
2 amount of \$15,000 to John F. Cuellar.

3 Seventy-three, on or about March 13, 2013, John F.
4 Cuellar deposited Check No. 1028 from Lone Star National Bank
5 account number ending in 9362 in the amount of \$15,000 into
6 international bank account number ending in 623.

7 Seventy-four, on or about April 12, 2013, Garcia
8 wrote Check No. 1030 from Lone Star National Bank account
9 number ending in 9362, one of Garcia's IOLTA accounts, in the
10 amount of \$15,000 to John F. Cuellar.

11 Seventy-five, on or about April 15, 2013, John F.
12 Cuellar deposited Check No. 1030 from Lone Star Bank -- Lone
13 Star National Bank account number ending in 9362 in the amount
14 of \$15,000 into international bank account number ending in
15 623.

16 Seventy-six, in or about 2013, Lopez, Arturo C.
17 Cuellar, Jr., and Garcia discussed Garcia's payments to
18 John F. Cuellar using Garcia's IOLTA account.

19 Seventy-seven, in or about August 2014, Arturo C.
20 Cuellar, Jr. and John F. Cuellar helped Person D obtain
21 employment with the City of Weslaco in exchange for Garcia's
22 assistance in providing the bribe funds to John F. Cuellar.

23 Payments to Tafolla.

24 Seventy-eight, in or about 2011, Lopez began writing
25 checks to Quintanilla approximately once per month in amounts

1 ranging from approximately \$500 to approximately \$3,500.
2 Quintanilla cashed these checks and provided approximately
3 half of the cash to Tafolla.

4 Seventy-nine, from on or about September 15, 2011 to
5 in or about October 22, 2014, Lopez wrote approximately 41
6 checks drawn on Lone Star National Bank account numbers ending
7 in 9303, 5069, and 9214 to Quintanilla in the amount of
8 approximately \$500 to approximately \$5,000 each for a total
9 for \$85,950 so that Quintanilla could make bribe payments to
10 Tafolla. Quintanilla converted these checks to cash at a Lone
11 Star National Bank branch.

12 This all occurred in violation of Title 18, United
13 States Code, Sections 1343, 1346 and 1349.

14 THE COURT: Thank you, Mr. Lopez. You need probably
15 some oxygen now.

16 MR. LOPEZ: A little bit.

17 THE COURT: Mr. Cuellar, there is a lot there, but I
18 want to sort of break it down a little bit for you. What
19 we're looking here in Count 1 is a conspiracy count and it's a
20 conspiracy count, and I'll get to that part in just a moment,
21 but it's basically a conspiracy count to violate the Wire
22 Fraud Honest Services Statute. So let me address those --
23 that part first. And that's -- and we reference here 1343
24 and 1346.

25 So basically as to that part, what the Government

1 would be required to prove basically is that you knowingly
2 devised or intended to devise any scheme to defraud. Here it
3 would be to accept bribe payments in exchange for favorable
4 consideration to these companies.

5 That the scheme to defraud was employed through
6 false representations, that is that all of these awards,
7 contracts and benefits to these companies were being honestly
8 rendered, that in doing so you in some manner or another
9 transmitted or caused to be transmitted by wire communications
10 and that can include texts through your telephone and can
11 include email messages through the internet, it can also
12 include the use of the bank accounts here. And all of this
13 was done with the intent to defraud here.

14 So that is the sort of underlying offense here. Of
15 course as I said, this is a conspiracy charge. A conspiracy
16 basically, Mr. Cuellar, is an agreement to do something that
17 is illegal. In that regard what is required to be proven
18 regarding the conspiracy is that you and at least one other
19 person entered into this agreement. It doesn't have to be a
20 specific or curious, the terms of our agreement. You don't
21 have to have known every detail and you don't have to have
22 known everybody else involved in the agreement, so long as it
23 was you and at least one other person.

24 You have to have had known the unlawful purpose of
25 the agreement here, that is to accept bribes in exchange for

1 what would have otherwise been honest services, and that in
2 trying to accomplish that either you or at least one other
3 person that was part of the agreement committed one of these
4 overt acts that Mr. Lopez has gone through reading here.

5 So again, it's a conspiracy charge in Count 1 that
6 you have indicated you are going to plead to.

7 Do you understand the nature of the charge?

8 DEFENDANT CUELLAR: Yes, Your Honor.

9 THE COURT: Any questions at all about the charge?

10 DEFENDANT CUELLAR: No, Your Honor.

11 THE COURT: In connection with this charge,
12 Mr. Cuellar, you have the right to be represented by an
13 attorney as you are being represented here today. You have
14 that right even if you cannot afford an attorney.

15 Do you understand this?

16 DEFENDANT CUELLAR: Yes, Your Honor.

17 THE COURT: You also have the right to enter a plea
18 of not guilty to the charge, as you did to begin with. If you
19 wish to go forward with a plea of not guilty, you have the
20 right to have a jury trial. The jury is made up of
21 12 citizens of this community and the jury would be the one to
22 decide whether you're guilty or not guilty.

23 In connection with a jury trial, you have the right
24 to have the Government present the witnesses that the
25 Government has to testify against you. You have the right

1 through your attorney to cross-examine those witnesses. You
2 have the right also to present witnesses of your own and to
3 compel them to be present to testify even if they do not wish
4 to do so. And you of course have the right to testify if you
5 wish to do so, but you do not have to testify. The fact that
6 you choose not to testify will not be considered by the jury
7 in making its decision as to whether you are guilty or not
8 guilty.

9 All of these are rights that you have if you wish to
10 go forward with a plea of not guilty.

11 Do you understand this?

12 DEFENDANT CUELLAR: Yes, Your Honor.

13 THE COURT: If you do wish to enter a plea of
14 guilty, you will be giving up your right to have a jury trial
15 because I, rather than the jury, will decide whether you are
16 guilty. You will be giving up your right to have the
17 witnesses presented, both yours and the Government's, except
18 that you yourself will become a witness in the case. By that
19 I mean that the Government's attorney will tell me the facts
20 of your case, I will ask you questions about those facts and
21 you will have to answer those questions for me, which of
22 course means that you give up your right to remain silent.

23 Do you understand this?

24 DEFENDANT CUELLAR: Yes, Your Honor.

25 THE COURT: With that understanding then do you wish

1 to give up the right to have a jury trial, the right to have
2 the witnesses presented?

3 Do you wish to give up those rights by entering a
4 plea of guilty?

5 DEFENDANT CUELLAR: Yes, Your Honor.

6 THE COURT: Have you spoken with your attorney about
7 what you may be facing by way of punishment if you are found
8 guilty in this case?

9 DEFENDANT CUELLAR: Yes, Your Honor.

10 THE COURT: For Count 1, this conspiracy charge, you
11 are facing up to 20 years of prison time. There's no minimum
12 amount of time required but it is up to 20 years of prison
13 time.

14 Do you understand this?

15 DEFENDANT CUELLAR: Yes, Your Honor.

16 THE COURT: You are also facing a possible term of
17 three years of supervised released. Basically supervised
18 release is a period of time after you have been released from
19 prison. You are not in custody anymore, but you are still
20 kept under Court supervision, very much like you are right now
21 out on bond. The difference being that when you are under
22 Court supervision any violation of your terms of supervised
23 release could result in you having to serve more prison time
24 for this offense, even if that violation is not a new offense.

25 Do you understand this also?

1 DEFENDANT CUELLAR: Yes, Your Honor.

2 THE COURT: The law also provides that you can be
3 ordered to pay a fine of up to \$250,000. All right. This is
4 one where it's restitution.

5 That restitution amount is as to the amount or?

6 MR. LOPEZ: The restitution, that's a matter to be
7 decided by the Court, Your Honor.

8 THE COURT: But the restitution is just whatever the
9 amount is. Correct? There's no --

10 MR. LOPEZ: That's correct.

11 THE COURT: -- okay, additional.

12 So first of all, there is a possible fine as I was
13 just mentioning of \$250,000. That does depend on your ability
14 to pay. There is also a \$100 that does not depend on your
15 ability to pay called a "special assessment" that you will be
16 ordered to pay. And then as I just mentioned, there is also a
17 possible restitution in this case that you would be asked --
18 ordered to make whole, in this case it would be the City, for
19 any losses that it suffered as a result of the criminal
20 conduct.

21 Do you understand all of that?

22 DEFENDANT CUELLAR: Yes, Your Honor.

23 THE COURT: That is the law that applies to the
24 penalties you are facing for Count 1. The Court in deciding
25 the actual sentence that it will impose considers something

1 that we call the "Guidelines."

2 Did you talk with Mr. Montalvo about the Guidelines?

3 DEFENDANT CUELLAR: Yes, Your Honor.

4 THE COURT: The Guidelines are somewhat different
5 from the law, even though the Guidelines is also a law. It is
6 different in that I have to consider the guidelines, but I do
7 not have to follow the Guidelines. What I mean by that is
8 that at the time of sentencing I will consider all the
9 information presented to me when I hear your case, I will
10 consider the Guidelines that apply to your case including the
11 guideline range that we determine is the applicable guideline
12 range, and I will consider the law that applies to sentencing.

13 I will then decide what sentence you should receive.
14 That sentence can be within your guideline range, it could be
15 less than your guideline range, or it could be more than your
16 guideline range, provided I do not sentence you to more than
17 the statutory maximum sentence of 20 years of prison time,
18 three years of supervised release or no more than the \$250,000
19 fine.

20 Do you understand the estimate guidelines? As I
21 said, I have to consider them, but I do not have to follow
22 them.

23 DEFENDANT CUELLAR: Yes, Your Honor.

24 THE COURT: It is also important that you understand
25 that while I expect Mr. Montalvo to have given you a guideline

1 range that he believes will apply to this case, that is not a
2 promise or a guarantee. I will be the one to determine what
3 the correct guideline range is. I do not do that until the
4 time of sentencing. So whatever range he has come up with, it
5 could turn out to be different at the time of sentencing.

6 Do you also understand this?

7 DEFENDANT CUELLAR: Yes, Your Honor.

8 THE COURT: Does the Indictment have any kind notice
9 of forfeiture? Yes. Okay.

10 All right. Also, Mr. Cuellar, the Government in the
11 Indictment has given you a notice of forfeiture which
12 basically means that the Government has put you on notice that
13 it will -- that it intends to seek any property, whether it's
14 money or other property, that is derived from this offense.
15 In any case where you have been given notice that the
16 Government intends to take property that you may have an
17 interest in, you of course have certain rights. Those rights
18 can be asserted in a criminal proceeding such as this, or
19 separately through an administrative proceeding.

20 Now I suspect there may be an agreement here about
21 the waiver of rights, but first of all I want to make sure
22 that you understand that you have been given notice of
23 forfeiture.

24 Do you understand that?

25 DEFENDANT CUELLAR: Yes, Your Honor.

1 THE COURT: Do you also understand that you do have
2 certain rights in connection with that notice?

3 DEFENDANT CUELLAR: Yes, Your Honor.

4 THE COURT: Do you have any questions about anything
5 that we have covered here, Mr. Cuellar?

6 DEFENDANT CUELLAR: No.

7 THE COURT: Have you understood everything we've
8 covered?

9 DEFENDANT CUELLAR: Yes, Your Honor.

10 THE COURT: Is there a plea agreement as to
11 Mr. Cuellar?

12 MR. LOPEZ: Yes, Your Honor, there is a plea
13 agreement, and it reads in pertinent part that Defendant
14 agrees to plead guilty to Count 1 of the Indictment and
15 pursuant to Title 18, United States Code, Section 3663,
16 Subsection (a)(3), the Defendant agrees and stipulates that at
17 least \$405,000 comprises the proceeds the Defendant obtained
18 directly or indirectly as a result of his participation in the
19 charged violation, and that the factual basis for his guilty
20 plea supports the forfeiture of \$405,000.

21 Defendant agrees to forfeit any of the Defendant's
22 property in substitution up to a total forfeiture of \$405,000.
23 And further, the Defendant agrees to the imposition of a
24 personal money judgment up to that amount, and the Defendant
25 agrees to make a complete financial disclosure by truthfully

1 executing a sworn financial statement, a Form OBD-500, or
2 similar form within 14 days, and by authorizing the release of
3 all financial information requested by the United States.

4 Defendant agrees to authorize release of all
5 financial information requested by the United States and to
6 take all steps necessary to pass through title to forfeitable
7 assets to the United States and to fully assist in the
8 collection of restitution in kind, including but not limited
9 to surrendering title, executing warranty deeds, signing
10 consent decrees, and signing any other documents to effectuate
11 the transfer of any asset.

12 In exchange, the Government will recommend that the
13 offense level decrease by two levels pursuant to United States
14 Sentencing Guideline Section 3D1.1A if the Defendant clearly
15 demonstrates acceptance of responsibility that the remaining
16 counts of the Indictment be dismissed at the time of
17 sentencing.

18 And, Your Honor, we also have a unopposed Motion for
19 the Imposition of a Money Judgment in connection with the plea
20 agreement.

21 THE COURT: All right. Thank you.

22 Mr. Cuellar, the Government indicates you have
23 signed the plea agreement, I believe Mr. Montalvo's showing
24 that to you.

25 Can you confirm that you did, in fact, sign the plea

1 agreement?

2 DEFENDANT CUELLAR: Yes, Your Honor.

3 THE COURT: And did you review that agreement with
4 your attorney before you signed it?

5 DEFENDANT CUELLAR: Yes, Your Honor.

6 THE COURT: Okay. I prefer to have the one that
7 Mr. Cuellar just reviewed.

8 MR. LOPEZ: Yes, I apologize for that, Your Honor.

9 (Pause in the proceedings.)

10 THE COURT: All right. Mr. Cuellar, the Government
11 has summarized the plea agreement, and I'll try to summarize
12 it even further, but basically the agreement is that you will
13 enter a plea of guilty to Count 1. In exchange -- and
14 additionally that you agree basically to a forfeiture amount
15 and money judgment amount of \$405,000, and to give up any and
16 all rights regarding this money judgment and forfeiture issue
17 as well, and that in exchange for that the Government will
18 recommend two levels off for acceptance of responsibility, and
19 then dismiss the other counts in the Indictment.

20 Is that what you understand your agreement with the
21 Government to be?

22 DEFENDANT CUELLAR: Yes, Your Honor.

23 MR. LOPEZ: And, Your Honor, in just looking at my
24 notes, I don't know if missed it or anything, but there was
25 just one admonishment, that the guidelines be advisory, that

1 the Court could sentence him to any range within the statutory
2 requirements.

3 THE COURT: I did cover that. No, I did cover that.

4 Okay. I am going to ask, in light of the fact that
5 the second page here does not have any kind of heading, or if
6 counsel and Mr. Cuellar would initial the second page on that
7 as well? It's just it isn't linked directly to anything.

8 Just initial at the bottom or somewhere on there, it
9 doesn't matter to the Court.

10 (Pause in the proceedings.)

11 THE COURT: Mr. Cuellar, the agreement that you have
12 made with the Government is only between you and the
13 Government. It is not an agreement with the Court. By that I
14 mean that if you do enter a plea of guilty and the Court finds
15 you guilty, the case will be set for sentencing. At the time
16 of sentencing I will consider the recommendations made to me
17 by the Government. I will also consider the agreement
18 regarding the amount here.

19 But I do not have to follow either the
20 recommendation or that agreement regarding the amount, and
21 even if I do not do so, I do not have to allow you to withdraw
22 your plea of guilty.

23 Do you understand that?

24 DEFENDANT CUELLAR: Yes, Your Honor.

25 THE COURT: Okay. And I want to sort of now go a

1 little bit more into the reference regarding the amount
2 involved here. The Probation Department will conduct a full
3 investigation into this case for purposes of sentencing. Part
4 of what they do is they determine independently if whatever
5 you and the Government have agreed to as to what the amount
6 is.

7 You know, that report comes to me in time, I review
8 all of that, too, and I determine whether the amount set out
9 in the Presentence Investigation Report is the correct amount,
10 whether or not that corresponds to the amount that you and the
11 Government have agreed to. If I find that it is more than
12 what you and the Government have agreed to, I could still
13 order you to pay more than what you and the Government have
14 agreed to. And again, I wouldn't have to allow you to
15 withdraw your plea of guilty.

16 Do you understand this?

17 DEFENDANT CUELLAR: Yes, Your Honor.

18 THE COURT: Also if I do find that the amount is
19 more than what you and the Government have agreed to,
20 depending on how Mr. Montalvo came up with the guideline range
21 that he thinks would apply, it could affect that guideline
22 range. So again, the amount can make more than just a
23 difference regarding what you're ultimately ordered to pay.
24 It could make a difference regarding where you fall in the
25 guidelines. And again, even if it turns out to be different,

1 I still don't have to allow you withdraw your plea of guilty.

2 Do you understand this?

3 DEFENDANT CUELLAR: Yes, Your Honor.

4 MR. LOPEZ: Your Honor, and just for clarification
5 purposes, we agreed to an amount of forfeiture, we have not
6 made any agreements to the amount of restitution.

7 THE COURT: No, and I was just referencing -- in
8 case Mr. Montalvo was using this amount for guideline
9 calculations.

10 MR. MONTALVO: Understood, Your Honor. We're here.

11 THE COURT: All right. Okay. Mr. Cuellar, other
12 than the agreements as set out in the -- and I guess the
13 unopposed Motion for Imposition of Money Judgment is part of
14 the agreement here. So I touched on you've agreed to give
15 any -- up any and all rights and cooperate, which would
16 include the Motion for Imposition of Money Judgment.

17 Do you also understand that?

18 DEFENDANT CUELLAR: Yes, Your Honor.

19 THE COURT: And other than the agreements reflected
20 in the plea agreement, including the Motion of Entry of Money
21 Judgment, Mr. Cuellar, do you believe that there have been any
22 promises of any sort made to you by anybody, whether it be the
23 Government, your attorney or anybody else, to get you to plead
24 guilty?

25 DEFENDANT CUELLAR: No, Your Honor.

1 THE COURT: Has anybody threatened you or tried to
2 force you or coerce you into entering a plea of guilty?

3 DEFENDANT CUELLAR: No, Your Honor.

4 THE COURT: Do you wish to enter a plea of guilty
5 freely and voluntarily?

6 DEFENDANT CUELLAR: Yes, Your Honor.

7 THE COURT: And do you wish to do so because you
8 are, in fact, guilty as charged in Count 1 of the Indictment?

9 DEFENDANT CUELLAR: Yes, Your Honor.

10 THE COURT: The next part here, Mr. Cuellar, is
11 where the Government will tell me the facts of your case.
12 Please listen carefully and there's going to be a lot of
13 language that is somewhat similar to the Indictment, you
14 should listen to that, but in particular listen to the facts.

15 But before we get to that part, the critical
16 question then, Mr. Cuellar, as to Count 1 how do you plead,
17 guilty or not guilty?

18 DEFENDANT CUELLAR: Guilty.

19 THE COURT: Okay. Now I want to hear the facts from
20 the Government.

21 MR. LOPEZ: The Defendant agrees that the following
22 statement of facts fairly and accurately describe the
23 Defendant's actions involving the offense to which the
24 Defendant is pleading guilty. The Defendant knowingly and
25 voluntarily and truthfully admits the facts set forth in the

1 statement of facts, the statement of facts and the stipulation
2 of facts for purposes of Section 1B1.2A of the United States
3 Sentencing Guidelines and related policy statements. The
4 Defendant agrees that all the information contained within the
5 statement of facts constitutes relevant conduct for purposes
6 of sentencing within the meaning of Section 1D1.3 and may be
7 used in determining the applicable sentencing guidelines
8 range.

9 At all relevant times the City of Weslaco was a
10 political subdivision within the State of Texas. Weslaco is
11 governed by a local government, pursuant to the Charter of the
12 City of Weslaco. The Defendant is an attorney and former City
13 of Weslaco Commissioner who served as a Commissioner from at
14 least 1995 through November 2014. For large parts of his
15 tenure on the Weslaco City Commission, also known as the
16 "Commission," including from at least June 2007 to May 2009
17 and from May 2010 to November 2014 the Defendant was selected
18 by the Commission to serve as Mayor Pro Tem. As a
19 Commissioner, the Defendant was an agent of the City of
20 Weslaco.

21 Ricardo Quintanilla is a businessman who lived and
22 worked in Weslaco, Texas. AC Cuellar is a resident of
23 Progreso Lake, Texas who served as a Commissioner of Hidalgo
24 County, Texas from March 2010 to November 2010 and
25 approximately January 2013 to December 2016.

1 Daniel J. Garcia is an attorney based in Rio Grande
2 City, Texas who served on the Rio Grande City Consolidated
3 Independent School District Board of Trustees.

4 Leonel, Leo, Lopez is resident of Starr County,
5 Texas.

6 Gerardo "Jerry" Tafolla is a resident of Weslaco,
7 Texas who formerly served as a City of Weslaco Commissioner
8 from at least 2009 through 2019.

9 Company A was an international engineering and
10 construction company that performed large scale infrastructure
11 projects for public and private clients.

12 Company B was an engineering company based in San
13 Antonio, Texas. Person B was the owner of Company B.

14 Company C was an engineering company based in
15 McAllen, Texas. Person C was the owner of Company C.

16 Company D is a concrete company based in Corpus
17 Christi, Texas. It is owned in part by Individual A. Person
18 D was an attorney based in Houston, Texas.

19 The Texas Constitution and the laws of the State of
20 Texas under the Charter of the City of Weslaco establish
21 ethical standards of conduct for elected public officials
22 including the Weslaco City Commissioners. The standards
23 included an oath to faithfully execute the duties of the
24 office of the Commissioner and to preserve, protect and defend
25 the Constitution and laws of the United States and of the

1 State of Texas.

2 Accordingly, Weslaco City Commissioners owed a
3 fiduciary duty to the City of Weslaco, the Weslaco City
4 Commission, and to the people of the City of Weslaco. As a
5 public official in the Weslaco city government, the Defendant
6 owed a fiduciary duty to the City of Weslaco and to its
7 citizens to perform the duties and responsibilities of his
8 office free from corrupt influence. As an elected official in
9 the State of Texas, the Defendant swore to uphold the United
10 States Constitution, the Texas Constitution and the laws of
11 the State of Texas, and to faithfully execute the duties of
12 his office.

13 In or about 2004, the Texas Commission on
14 Environmental Quality, also known as "TCEQ," notified the City
15 of Weslaco that it's water treatment facilities were in
16 violation of the applicable environmental regulations. The
17 city's water treatment facilities include the water treatment
18 plant which process the city's potable water and the North
19 Wastewater Treatment Plant and the South Wastewater Treatment
20 Plant.

21 In or about 2007, the Commission voted to issue
22 approximately 28 million in municipal bonds to finance several
23 infrastructure projects in the Weslaco area. The two largest
24 and costliest projects to be paid for with the bonds funds
25 were to build a North Wastewater Treatment Plant and to

1 perform repairs to the Water Treatment Plant. In or about
2 2008, the Commission hired Company A to act as the
3 construction manager for the infrastructure project to be
4 funded by the bond issuance.

5 Under the contract Company A would effectively
6 select the companies to perform the infrastructure work to be
7 paid for with the bond funds.

8 From in or about March 2008 to in or about December
9 2016 in the Southern District of Texas and elsewhere
10 Defendants knowingly devised and intended to devise a scheme
11 to defraud and to deprive the City of Weslaco, the Weslaco
12 City Commission and the citizens of Weslaco of their
13 intangible right to honest services through soliciting and
14 accepting bribes. The Defendant formed this agreement with AC
15 Cuellar, Jr., Garcia, Lopez and others.

16 As part of the scheme the Defendant took and agreed
17 to take a variety of official actions to benefit and help
18 Companies A, B and C obtain millions of dollars in contracts
19 from the City of Weslaco. In exchange for the bribes
20 Defendant voted in favor of infrastructure projects related to
21 Weslaco's water processing facilities and steered over \$50
22 million in contracts to Companies A, B and C.

23 For example, on or about March 25, 2008, the
24 Defendant made a motion to grant a professional services
25 contract to Company A to perform engineering services to

1 rehabilitate the Water Treatment Plant and to construct a new
2 North Wastewater Treatment Plant. On the same day the
3 Defendant voted in favor of that motion. In or about May
4 2008, in the absence of Weslaco's Mayor, the Defendant
5 executed a Professional Services Agreement with Company A. On
6 or about November 4, 2008, the Defendant made a motion to
7 place additional projects under Company A's contract. On the
8 same date the Defendant voted in favor of that motion.

9 On or about March 17, 2009, the Defendant spoke
10 against the motion to re-prioritize the 2007 bond funds to
11 shift money from the North Wastewater Treatment Plant to the
12 Water Treatment Plant. The contracts for both of which had
13 been granted to Company A. The effect of shifting the funds
14 as proposed would have been to reduce the total amount of
15 money due to Company A under the contract.

16 On the same date the Defendant voted to oppose that
17 motion, instead asserting that the Commission -- asserting to
18 the Commission that the North Wastewater Treatment Plant and
19 the Water Treatment Plant be given equal significance, keeping
20 the same amount of money due to Company A under the contracts
21 the same. Despite the Defendant's vote, the motion carried.

22 On or about September 1, 2009 the Defendant made a
23 motion before the Commission to suspend Robert's Rules of
24 Order to allow the Commission to reconsider the Defendant's
25 motion that the North Wastewater Treatment Plant and Water

1 Treatment Plant be considered with equal importance with
2 regard to apportioning the 2007 bond funds, an initiative that
3 had been defeated at the August 18, 2009 meeting. He voted in
4 favor of the motion to suspend Robert's Rules of Order to
5 allow the Commission to reconsider the Defendant's motion that
6 the North Wastewater Treatment Plant and Water Treatment Plant
7 be considered with equal importance with regard to
8 apportioning the 2007 bond funds.

9 He made a motion before the Commission that the
10 North Wastewater Treatment Plant and Water Treatment Plant be
11 considered with equal importance with regard to apportioning
12 the 2007 bond funds, and voted in favor of the motion that the
13 North Wastewater Treatment Plant and Water Treatment Plant be
14 considered with equal importance with regard to apportioning
15 the 2007 bond funds.

16 In or about 2011, the Defendant supported the
17 granting of no-bid contracts to Company A and Company B to
18 design and construct a new Water Treatment Plant.

19 On or about January 18, 2011, the Defendant voted to
20 authorize the City Manager and City Attorney to negotiate a
21 new Professional Services Agreement with Company A to prepare
22 a preliminary engineering report on the Water Treatment Plant.

23 On or about August 16, 2011, the Defendant made a
24 motion before the Commission to approve the preliminary
25 engineering report on the Water Treatment Plant prepared by

1 Company A. He also voted to approve the preliminary
2 engineering report on the Water Treatment Plant prepared by
3 Company A and also voted to declare that the Water Treatment
4 Plant was exceeding capacity and failing to meet public water
5 demand, thereby creating an imminent threat to public health
6 and safety. This declaration allowed th Commission to
7 directly grant construction contracts to address violations
8 issued by the TCEQ and bypass ordinary bidding and
9 qualification procedures.

10 On or about September 8, 2011, the Defendant voted
11 to authorize the City Manager to negotiate a pre-construction
12 services contract with Company A for the Water Treatment Plant
13 and voted in favor of a motion for the City Manager to
14 negotiate a contract with Company B for the design of an
15 expansion to the Water Treatment Plant and associated
16 projects.

17 Due to the declaration from the August 16, 2011
18 meeting that the Water Treatment Plant presented an imminent
19 threat to public health and safety, the Commission was able to
20 grant these contracts without the ordinary competitive bidding
21 and qualification process.

22 On or about March 27, 2012 the Defendant voted to
23 authorize the Mayor to execute contracts valued at
24 approximately \$38.5 million with Company A for the expansion
25 of the Water Treatment Plant and to authorize city staff to

1 amend the city's budget to accommodate the \$38.5 million
2 contact with Company A.

3 On or about June 5, 2012, the Defendant voted to
4 approve the City of Weslaco entering into a Professional
5 Services Agreement with Company C.

6 On or about September 20, 2012, the Defendant voted
7 to approve an amendment to the contract with Company B to
8 include automation and daily construction inspections in an
9 amount not to exceed \$2,978,950, to authorize a budget
10 amendment as appropriate and to authorize the Mayor to execute
11 any related documents.

12 In or about 2013, the Defendant supported the
13 granting of contracts to Company B, knowing and intending that
14 his support would form the basis for city staff decisions and
15 official acts regarding the granting of such contracts.

16 On or about July 16, 2013, the Defendant voted to
17 amend the city's contract with Company B, to authorize
18 Company B to prepare a preliminary engineering report for
19 repairs to the South Wastewater Treatment Plant.

20 On or about September 2, 2014, the Defendant voted
21 to approve the final preliminary engineering report for the
22 South Wastewater Treatment Plant prepared by Company B and to
23 authorize a budget amendment to pay Company B for the report.

24 At various times special meetings of the Commission
25 were called where votes could be taken to benefit Companies A,

1 B and C because special meetings were not publicized or
2 recorded in the same -- the special meetings were not
3 publicized or recorded in the same way as regular Commission
4 meeting.

5 The Defendant took these official actions in an
6 effort to enrich himself by accepting approximately \$405,000
7 in bribes. The Defendant understood that Lopez, AC Cuellar
8 and others were providing him with the bribes in order to
9 influence him in the performance of his official actions.

10 The Defendant met with his co-conspirators at
11 various locations in the Southern District and elsewhere to
12 discuss official actions the Defendant should take to benefit
13 Companies A, B and C and to discuss the payment of bribes.
14 To conceal the scheme the Defendant and his co-conspirators
15 took steps to anonymously funnel the bribe payments to the
16 Defendant, in a manner to avoid detection the payments came
17 from Companies B and C.

18 From on or about April 21, 2011, to on or about
19 November 6, 2014 the Defendant received approximately \$405,000
20 in bribe payments funneled through Company D disguised as
21 payments for legal services that were never actually rendered.
22 These semi-monthly payments ranged from approximately \$5,000
23 to approximately \$7,000. These payments were made so that the
24 Defendant would take official actions to benefit Companies A,
25 B and C.

1 The payments from Company D to the Defendant stopped
2 promptly in November 2014 upon the Defendant's loss of his re-
3 election bid for the Weslaco City Commission.

4 From on or about December 2012 to on or about April
5 2013, the Defendant, AC Cuellar, Jr., Lopez and Garcia
6 funneled at least approximately \$90,000 in bribe payments
7 disguised as payments for legitimate legal services through
8 the IOLTA account for Garcia's law firm. In exchange for
9 Garcia's participation the Defendant agreed to help Person D,
10 a friend of Garcia, obtain employment.

11 The Defendant and his co-conspirators used wire
12 communications and interstate commerce such as mobile
13 messaging applications, email and interstate bank transfers as
14 previously referenced in furtherance of this scheme to
15 defraud.

16 The preceding statement of facts is a summary made
17 for the purpose of providing the Court with the factual basis
18 for the Defendant's plea. It does not include all the facts
19 known to the Defendant concerning criminal activity in which
20 he and others are engaged, nor does it contain all the facts
21 that the United States could have proven at trial against the
22 Defendant, or any of his co-conspirators. The defense and the
23 Government reserve the right to present argument concerning
24 these agreed upon facts at a sentencing hearing.

25 THE COURT: Mr. Cuellar, do you agree with what the

1 Government has stated?

2 DEFENDANT CUELLAR: Yes, Your Honor.

3 THE COURT: Is there anything that you believe is
4 not correct?

5 DEFENDANT CUELLAR: No, Your Honor.

6 THE COURT: Okay. I'm going to ask just a few very
7 basic questions here, but I think it's very well covered.

8 But first of all, Mr. Cuellar, you do admit that all
9 the acts that have been referenced here in which you were
10 involved were in your position as a Commissioner for the City
11 of Weslaco; is that correct?

12 DEFENDANT CUELLAR: Yes.

13 THE COURT: And you also agree that in exchange for
14 many of these actions that you took, whether or not they were
15 successful, that you received the monies referenced by the
16 Government both in the Indictment and in the factual basis
17 here?

18 DEFENDANT CUELLAR: Yes, Your Honor.

19 THE COURT: Okay. And do you also agree that this
20 conduct that you engaged in basically to accept bribes in
21 exchange for favorable rulings and actions for these various
22 companies here were all done in your position as a City of
23 Weslaco Commissioner?

24 DEFENDANT CUELLAR: Yes, Your Honor.

25 THE COURT: And that all of this was being done by

1 agreement with either the co-defendants named here or with
2 others. Is that also correct?

3 DEFENDANT CUELLAR: Yes, Your Honor.

4 THE COURT: And that all of this was being done with
5 the intent to bring about the offense of basically the bribery
6 in exchange for the favorable consideration to these
7 companies?

8 DEFENDANT CUELLAR: Yes, Your Honor.

9 THE COURT: Thank you, Mr. Cuellar.

10 The Court does find that you are competent to enter
11 a plea, that you understand the nature of the charges against
12 you, as well as the consequences of entering a plea, that you
13 are entering a plea of guilty freely and voluntarily and that
14 there is a factual basis for the plea of guilty. The Court
15 does find you guilty as charged in Count 1 of the Indictment.

16 Your case is set for sentencing on October 22 at
17 2:00 p.m. with a presentence investigation to be done and a
18 report to be completed by September 6, objections to be filed
19 by the 20th, with the final report due on October 4.

20 Now I now there may be some reason for delay down
21 the road for this, but obviously as soon as counsel from -- on
22 either side thinks that that may be the case, file your motion
23 with the Court and we'll certainly consider that.

24 MR. MONTALVO: Yes, Your Honor.

25 THE COURT: And Mr. Cuellar has been out on bond.

1 Is there any objection from the Government?

2 MR. LOPEZ: There's no objection, Your Honor, but
3 may we approach to say something on the Record about the
4 witness?

5 THE COURT: Yes, you may.

6 Okay. All step forward, please.

7 (Bench conference from 11:10:25 to 11:11:38 was sealed by
8 the Court and not transcribed herein.)

9 THE COURT: Regarding Mr. Cuellar's release, the
10 Court, Mr. Cuellar, will allow you to continue out on bond
11 under the same terms and conditions that had been previously
12 imposed. Of course you must make sure to continue complying
13 with those terms and conditions and you must report for your
14 sentencing date right now as I have given it to you. If that
15 changes, obviously Mr. Montalvo will let you know. But it is
16 an offense to fail to report for a court-ordered sentencing
17 date.

18 Okay. Also one question regarding the motion for
19 money judgment. It's been presented to the Court already.
20 Is -- are counsel asking for the entry of that money judgment
21 now or --

22 MR. LOPEZ: Yes.

23 THE COURT: -- at sentencing?

24 MR. LOPEZ: Yes, Your Honor, we asking for a
25 preliminary order.

1 THE COURT: All right.

2 MR. MONTALVO: No objection, Your Honor.

3 THE COURT: Okay. The Court will -- then will grant
4 that motion.

5 Okay. Anything else at this time?

6 MR. LOPEZ: Nothing further from the Government,
7 Your Honor.

8 MR. MONTALVO: Your Honor, and I don't know if the
9 Court would prefer this in a written motion, but requesting it
10 orally now. My client is requesting permission to -- again,
11 to travel to the Western District so he can visit with his
12 family in San Antonio. I know the Court had given it to him
13 before, but if the Court prefers a written order --

14 THE COURT: I do prefer a written. I assume it's
15 not like today, correct?

16 MR. MONTALVO: No, Judge, I'll file it today.

17 THE COURT: Yes, a written motion is best.

18 MR. MONTALVO: Yes, Your Honor. Thank you.

19 THE COURT: All right. Anything else at this time
20 then?

21 MR. MONTALVO: No, Your Honor.

22 MR. LOPEZ: Nothing further from the --

23 THE COURT: All right.

24 MR. LOPEZ: -- Government, Your Honor.

25 THE COURT: Thank you. Then you may be excused.

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COURT SECURITY OFFICER: All rise.
(Proceedings adjourned at 11:13 a.m.)

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*I certify that the foregoing is a correct transcript
to the best of my ability produced from the electronic sound
recording of the proceedings in the above-entitled matter.*

/S./ MARY D. HENRY

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